**Smuggling activities in the country**

730. SHRI KALRAJ MISHRA: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that Malboro, Bensen and Hedges and 555 cigarettes are being smuggled into the country in the name of "Lal-Chawal"; and

(b) if so, what are the details of such cases during 2003-04?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir. One such case was detected during 2002-2003 in Mumbai where cigarettes were misdeclared as "GREEN MUNG BEANS".

(b) No such case was detected during 2003-2004.

**Tax on Fixed Deposits of NRIs**

†731. SHRI RAVI SHANKAR PRASAD: Will the Minister of FINANCE be pleased to refer to answer to Starred Question 29 given in the Rajya Sabha on 6th July, 2004 and state:

(a) whether Government have studied the recommendation of Reserve Bank of India regarding taxing of fixed deposits of migrant Indians; and

(b) if so, the decisions taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. The Internal Group on External Liabilities of Scheduled Commercial Banks, in its report submitted in April 2004, has stated that in view of the comfortable forex reserves and improved inflows of NRI deposits, there is no need to give tax benefits for non-resident deposit schemes. Accordingly in the budget for 2004-05 it has been proposed to withdraw this tax exemption.

**Disinvestment policy**

732. SHRI MANOJ BHATTACHARYA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have formulated new disinvestment policy recently;

†Original notice of the question was received in Hindi.

(b) if so, the details thereof and its basic difference from the one pursued by the previous Government;

(c) the major public sector undertakings which were selected earlier for disinvestment but have since made a turn around; and

(d) the estimated generation of resources as result of disinvestment in the next three years and how they are proposed to be spent?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir.

(b) The Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. But for this, there is need for selectivity and a strategic focus. It is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally profit making companies will not be privatised.

All privatisations will be considered on a transparent and consultative case-by-case basis. The existing "Navaratna" companies will be retained in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The Government will induct private industry to turn around companies that have potential for revival.

The Government believes that privatisation should increase competition, not decrease it. It will not support the emergence of any monopoly that only restricts competition. It also believes that there must be a direct link between privatisation and social needs—like, for example, the use of privatisation revenues for designated social sector schemes. Public sector companies and nationalised banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.

The basic change that has been brought about through the above policy is that, under the new policy:-

(a) the existing 'Navaratna' companies will be retained in the Public Sector, and (b) generally, profit-making companies will not be privatised.

(c) Engineering Projects India Limited and Sponge Iron India Ltd. have since made a turn around from the time of the decision of the Government on the recommendations of the Disinvestment Commission.

(d) At present, a sum of Rs. 4,000 crore is estimated as disinvestment proceeds for 2004-2005. The disinvestment revenue will be used for specified social sector schemes.

**Education Cess**

733. SHRI MANOJ BHATTACHARYA: Will the Minister of FINANCE be pleased to state:

(a) whether it is proposed to levy a 2 per cent education cess on the Central taxes for financing part of the educational expenses;

(b) if so, the details thereof; and

(c) the steps proposed to be taken to ensure that money collected by the cess does not get amalgamated into the Consolidated Fund of India and be spent on general expenses of the country instead of being spent for the educational purposes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) So far as direct taxes are concerned, clause 2(11) of the Finance (No. 2) Bill, 2004 proposes to levy an additional surcharge for purposes of the Union, to be called the "Education Cess on income-tax" calculated at the rate of 2% of the income-tax, inclusive of surcharge. The additional surcharge of 2% is proposed to be levied on the tax deducted or advance-tax paid during the financial year.

As regards indirect taxes, education cess is also proposed to be levied at the rate of 2% of:

(i) the duties of excise levied on the goods manufactured or produced and specified in the first Schedule to the Central Excise Tariff Act under clause 81 read with clause 83 of Finance (No. 2) Bill, 2004 1985 which has come into immediate effect by virtue of declaration under the Provisional Collection of Taxes Act, 1931.

(ii) the duties of Customs levied on the goods imported and specified in the First Schedule to the Customs Tariff Act, 1975, under clause 81 read with clause 83 of Finance (No. 2) Bill, 2004 1985 which has come into immediate effect by virtue of declaration under the Provisional Collection of Taxes Act, 1931.

(iii) the tax levied on the taxable services under Section 66 of the